

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY QUITO IMMEDIATE

S E C R E T STATE 047238

EXDIS

E.O. 11652: XGDS-1

TAGS: ENRG, PFOR, EC US

SUBJECT: PETROLEUM: TEXACO-GULF PRICE ISSUE AND NATION-
ALIZATION

REF: QUITO 1526, 1397

1. THE DEPARTMENT SHARES EMBASSY'S CONCERN THAT GOE
IS AGAIN PRESENTING US OIL FIRMS WITH A HOBSON'S CHOICE
THAT MAY RESULT IN A TOTAL BREAK WITH FOLLOW-ON PROBLEMS.
WE WILL BE MEETING WITH SHIELDS AND WYCHE ON MARCH 1
TO GET THEIR ASSESSMENT OF THE SITUATION. AT THAT
TIME WE WILL ASK QUESTIONS, DISCUSS RAMIFICATIONS OF
THEIR POSITION. HOWEVER, WE WOULD NOT REPEAT NOT
GO SO FAR AS TO SUGGEST THAT THEY WITHDRAW THEIR OFFER
OF A BUY-OUT OR TO ACCEPT GOE PRICE PROPOSALS, OR,
FOR THAT MATTER, TO ENCOURAGE THEM TO TAKE ANY OTHER
SPECIFIC ACTIONS ON THE BASIS OF A U.S. RECOMMENDATION.

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2. THE CONFRONTATION BETWEEN THE COMPANIES AND THE

GOVERNMENT APPEARS TO DIFFER FROM THE PREVIOUS ONES
AS FOLLOWS:

A. THE COMPOSITION AND STABILITY OF THE PRESENT
GOE GOVERNMENT ARE LIKELY TO BE BASICALLY AFFECTED BY
DECISIONS IT TAKES IN THIS MATTER, OR BY MISSTEPS BY T-G.

B. IMPLICIT IN THE DURAN/VARGAS MOVES ARE THE
POSSIBILITIES OF EDGING OUT POVEDA AND THE ADOPTION OF
SOME FORM OF NATIONALISTIC GRANDSTANDING. WHILE WE
WOULD NATURALLY HOPE TO AVOID SUCH A DEVELOPMENT WE
WOULD PROBABLY OPEN OURSELVES TO GREATER PROBLEMS
BY SEEMINGLY TAKING A POSITION IN THE DURAN/POVEDA
RIVALRY.

C. IT APPEARS FROM THE EMBASSY TELEGRAMS AND
FROM INFORMATION PROVIDED BY GULF WASHINGTON REPRESENTATIVES THAT THE TWO COMPANIES MAY NOT HAVE A
COMMON POLICY AT THE PRESENT TIME. MARCH 1 MEETING
MAY CLARIFY THIS MATTER, BUT IT IS NOT OUR RESPONSIBILITY TO MEDIATE OUTSTANDING DIFFERENCES.

3. YOUR CONVERSATIONS WITH POVEDA HAVE BEEN HELPFUL
AND WE WOULD HOPE YOU CAN PRESERVE THIS CHANNEL. YOU
MAY WISH TO TELL POVEDA IN FUTURE CONVERSATIONS THAT
THE DEPARTMENT IS FULLY AWARE OF THE PROBLEM OF THE
DETERIORATING CLIMATE FOR TEXACO-GULF OPERATIONS IN
ECUADOR, AND THAT WE HAVE BEEN IN CONTACT WITH COMPANY
EXECUTIVES AT THEIR REQUEST, BUT THAT WE ARE NOT IN
A POSITION TO ADVISE THEM HOW THEY SHOULD HANDLE THEIR
BUSINESS PROPOSALS BEFORE THE SUPREME GOVERNING COUNCIL.

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